

Attachment B

Old Dominion NOPR Comments

Old Dominion also suggests that the following be included as discussion topics at the technical conference or in the RTO/ISO studies to further discussion on this important topic.

1. Demand response resources should be treated comparably to generation resources and should be allowed to participate on an equal basis with generation resources where they are indeed capable of providing equivalent services. This includes being compensated comparably to generation resources for similar performance and being subject to the same penalties as generation resources for lack of performance.
2. Well-functioning competitive wholesale electric markets should reflect current supply and demand conditions, *i.e.*, actual price and actual performance. We must get the right price signal so that demand response can respond to market prices.
3. An RTO/ISO's role in demand response should be to reduce and/or eliminate barriers to entry at the wholesale level and identify barriers to entry at the retail level while respecting jurisdictional issues.
4. Demand response should increase market efficiency, be cost-effective and verifiable and result in lower costs to all loads without transferring wealth between different loads.
5. Demand resources must satisfy all requirements for service provision comparable to those applied to supply resources including but not limited to procedures for measurement, verification and validation of performance.
6. Settlement and accounting systems must be in place and business rules detailed and clear in order to facilitate demand response, including aggregation, and to avoid duplicative payments.
7. The costs and benefits of Demand Response programs should be aligned with the market risks resulting from demand response participation.

While some of these topics are retail/wholesale issues, Old Dominion does not intend to assert that the Commission should infringe upon state jurisdictional issues to incent demand responses. Rather, these issues highlight the need for coordination between the wholesale and retail environment to ensure that there is effective demand response. Although the RTO or ISO may not be able to do anything about retail-focused demand response, they should still be aware of state programs to avoid cross-subsidization and double dipping. Additionally, demand response programs implemented at the retail level may preclude adoption of the same programs at the wholesale level.

Old Dominion sees the following as impediments to demand response that should be discussed further:

1. Lack of telemetry that would be remedied with cost-justified advanced metering Infrastructure (two-way communications) to provide the participant with up-to-the-minute price information and ability to quickly respond;
2. High implementation costs for residential customers (*i.e.*, interval metering);
3. Institutional barriers such as rate recovery risk;
4. Insufficient detail on business rules required to administer programs before the programs are implemented; and

5. Demand response gaming and inflated reports/studies of benefits undermining potential support for demand response market mechanisms.

Old Dominion also suggests discussion on the following actions going forward:

First, each RTO/ISO should be directed to work with its stakeholders to develop, by a date certain, a prioritized list of barriers to demand response and a timeline for developing solutions to same. For example, on May 9-11, 2007 PJM hosted a Demand Response Symposium in Alexandria, Virginia. At the end of the session, the group identified barriers to demand response that were included in Old Dominion's ANOPR comments. Each RTO should engage in such a stakeholder forum (perhaps as a working group, with Commission staff involvement) and report on the results of same to the Commission.

Second, demand response should be considered in the transmission planning process, in accordance with engineering-based transmission planning principles.

Third, implementation of demand response should be evolutionary in accordance with the sufficiency and certainty of business rules and availability of necessary measurement and verification infrastructure. Old Dominion's experience in PJM is that inadequate detail behind implementing program rules and insufficient priority given to the program result in a significant barrier to entry. Due to these issues and in an effort to get demand response implemented in an efficient and timely manner, Old Dominion in its ANOPR comments proposed getting the rules right and implementing DSR with large commercial and industrial customers first, followed by medium-sized C&I customers and then small C&I customers and residential classes.